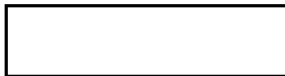


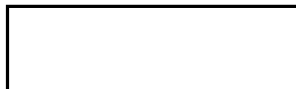
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9 December 1976

MEMORANDUM FOR: SA-D/DCI/IC
SA-D/DCI/IC
D/OPP
D/OPBD
D/OPEI



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FROM: Richard J. Kerr
Executive Officer, Intelligence Community
Staff

SUBJECT: Discussion of Intelligence Community
Organization and DCI Authority

1. [redacted] would like to have a discussion of reorganization, charters, and the DCI's authority during a meeting at 1530 hours on 16 December. The attached paper by [redacted] will serve as the basis for this discussion. In addition, John McMahon asked earlier for thoughts on the merits of combining NPIC with NRO, having NSA as a separate entity reporting to the DCI and placing the DCI more as a manager of the Intelligence Community.

2. In addition to some general discussion of these topics, the Admiral would like to end up with some very specific recommendations as well as a plan for addressing some of the longer term questions.

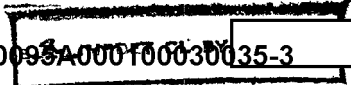
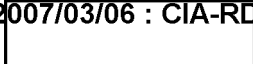


Richard J. Kerr

NRO review(s)
completed.

*cc: C/ICS Registry
w/ note: Do not
include this
in Daily*

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19 November 1976

Intelligence Transition Actions

This paper outlines some proposed transition actions related to national foreign intelligence. These actions fall into the following categories:

- Authority of the DCI
- Warning and crisis
- Improving intelligence products
- Size of the intelligence budget and manpower authorization
- Secrecy and security

A. Authority of the DCI

Action No. 1. Stronger Executive Order and legislation

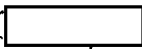
1. Proposed Transition Action. The new President should direct an NSC review of the need for stronger DCI authority and the specific means by which to provide this authority. The review should be completed by March 1, 1977.

2. Objectives. Provide a basis for Presidential decision about increased DCI authority. Identify specific revisions to Executive Order 11905 and required legislation, as appropriate.

3. Rationale. DCI lacks line control over intelligence collection assets, which can critically limit his ability to provide foreign intelligence to the President in fast-moving crises or wartime. DCI does not have final authority over National Foreign Intelligence Program, or over all producers of national foreign intelligence. The new President needs a basis on which to decide whether the existing limited authority of the DCI is adequate.

4. Relation to Upcoming Semiannual NSC Review of Intelligence DCI should not press this issue with the current NSC, as no decisions would result, but DOD resistance to a review by the new Administration would be generated at an early date.

5. Next Steps.

-- IC Staff ( assisted by OPP, OPBD, and OPEI) do a preliminary paper by December 3 to establish a prima facie case for the DCI and the President-Elect that this issue should be reviewed.

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NRO review(s) completed.

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-- If approved by the DCI, IC Staff expand this paper into a first draft of a study by the new Administration to be completed by January 15, 1977. The following topics should be included:

- Bureaucratic and legislative history of the evolution of the DCI's authority since 1948.
- Pro and con analysis of the need for strengthened DCI authority in specific areas (line authority over collection assets; final authority under the President for the NFIP; clearer lines of authority vis-vis SecDef, CJCS, and SecState in major crises and wartime).
- Identification of specific Executive Order changes and legislation to strengthen the DCI's authority.

Action No. 2. Reorganization of the Intelligence Community

1. Proposed Transition Action. The new President should direct an NSC review (with OMB) of whether NSA and the [] organization should be removed from DOD and placed directly under the DCI. This review should be completed by March 1, 1977.

2. Objectives. Provide a basis for a Presidential decision about one way of increasing the DCI's line control over collection assets and his authority over major portions of the NFIP.

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3. Rationale. Transfer of NSA and the [] organization from DOD would place the major national intelligence components (CIA, NSA, [] directly under the DCI. But it would generate a bureaucratic struggle with DOD, could reduce responsiveness of NSA and [] to military needs, and could increase the operating costs of these organizations, if they no longer can draw on DOD's support base. The proposed study would identify cost increases and specify in detail the benefits and adverse consequences of such a change, as a basis for Presidential decision.

4. Relation to Upcoming Semiannual NSC Review of Intelligence. DCI should not press this issue with the current NSC, as no decisions would result, but DOD resistance to a review by the new Administration would be generated at an early date.

5. Next Steps

-- IC Staff (OPBD, assisted by OPEI) do a preliminary paper by December 10 to establish a prima facie case for the DCI and the President-Elect that this issue should be reviewed by the new Administration.

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-- If approved by the DCI, IC Staff expand this paper into a DCI input to the study, to be completed by January 15, 1977.

B. Warning and Crises

Action No. 3. Presidential review of the nation's crisis management machinery

1. Proposed Transition Action. The new President should direct an NSC review of the national crisis management machinery, to include provisions for intelligence support of both national and tactical needs during crises and wartime; mechanisms for information gathering and assessment at the national level; coordination among key Government departments; the means for secure, rapid communications and coordination with key allies (esp. in NATO) during crises and war; the capabilities and limitations of USG departments for rapidly generating and implementing plans for diplomatic, political, or military actions; and provisions for continuity of crisis management functions if USG officials relocate to emergency command facilities. This review should conform to the following schedule:

-- By March 15, 1977, a description of existing crisis management machinery and its capabilities and limitations.

-- By June 15, 1977, an analysis of shortcomings in the existing machinery, with options for improvements.

NOTE: While this review would not be strictly an intelligence review, the role of intelligence in crises and wartime cannot be properly assessed without an examination of the entire set of crisis management issues. Moreover, the national crisis management machinery for major crises and war has not kept pace with the changing world environment and is overdue for a serious, high-level examination. The DCI, as a Presidential advisor, can highlight this need for the President-Elect, even if it does not fall totally within the DCI's area of responsibility.

2. Objectives. To educate the new Administration about the capabilities and limitations of existing national crisis management machinery. To provide a basis for early improvements in this machinery. To improve the procedures and facilities for intelligence support to the President in crises and war, within the framework of a national crisis management improvement program.

3. Rationale. Needed improvements in intelligence support to the President during crises and war will be facilitated and

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more coherent if carried out in the context of a Presidential review of national crisis management machinery.

4. Relation to Upcoming Semiannual NSC Review of Intelligence. DCI should encourage current NSC to lay the foundations for the recommended crisis management review by getting an early start on an interagency description of existing USG crisis management machinery and its capabilities and limitations.

5. Next Steps

-- IC Staff (OPEI) develop short paper for DCI to use with current NSC and the President-Elect, proposing such a review and laying out terms of reference (by December 3).

-- DCI and members of the "DCI's family" should lobby with other elements of the Government to create interest in a Presidential review of national crisis management machinery.

-- IC Staff take the lead to develop a Community paper which describes existing Intelligence Community capabilities and limitations to support the President during crises and war. This paper should be completed by January 30, 1977 and should draw, inter alia, on recent work by George Carver and Cord Meyer.

C. Improving Intelligence Products

Action No. 4. More direct user-producer interaction

1. Proposed Transition Action. DCI develop a program to inform the new Administration (key policymakers and their staffs) about the Community's products and production components, and to ensure active user-producer communications during the production of finished intelligence.

2. Objectives. To maintain and improve the responsiveness of intelligence products to user needs during the changeover of Administrations.

3. Rationale. A planned set of steps is needed to ensure that good user-producer communications is established early in the new Administration.

4. Relation to Upcoming Semiannual NSC Review of Intelligence The DCI should use the occasion of a meeting of the current NSC to secure their endorsement of and ideas for the above program.

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5. Next Steps

-- IC Staff (OPEI and OPP) work with NIOs to develop specifics of this program for the DCI and the NFIB. Elements of the program could include:

- Briefings on intelligence production components, their recent products, and their planned production. These briefings would be presented to key policymakers and their staffs in the new Administration (e.g., White House, State, DOD, NSC, EPB).
- Periodic meetings or workshops of middle-level users and producers in key areas (foreign policy, national security, international trade and economics) to inform Community of user needs and problems and to inform users of Community production plans.
- Structured involvement of user representatives in all phases of the development of NIEs and other inter-agency products.

-- DCI, NFIB members, NIOs, and IC Staff take initiative to ensure the implementation of the above program by seeking out key users.

-- DCI present overview of this program to the President-Elect.

-- Outline of this program should be inserted in the Transition Books.

Action No. 5. Review of interagency intelligence products

1. Proposed Transition Action. DCI direct the IC Staff, working with the NIOs and a user-Community working group, to review the schedule and content of recent and planned NIEs and other interagency products, and make recommendations for changes to interagency products to improve support to users. The study should be completed by February 15, 1977.

2. Objectives. To ensure that the schedule of periodic interagency products is matched to PPBS and other user schedules. To assess the value of specific interagency products in light of their costs. To identify ways to improve the relevance of interagency products to policy needs.

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3. Rationale. Persistent user complaints about the utility of NIEs and other interagency products indicate that such a study is called for. It should be completed early in the new Administration so that proposed changes can be implemented in ways which set a positive tone for user-producer relations.

4. Relation to Upcoming Semiannual NSC Review of Intelligence DCI should use the occasion of a meeting of the current NSC to secure their endorsement of this review, and perhaps an NSC directive supporting the review.

5. Next Steps:

-- IC Staff (OPEI) develop study directive and study plan by December 3.

Action No. 6. Review of the collection-processing-production balance.

1. Proposed Transition Action. The DCI should conduct a review of the balance of funding between collection, processing, and production. This review should be completed by April 1, 1977, as a report to the new Administration in connection with the second semiannual NSC review of intelligence.

2. Objectives. To refute the criticism that collection-processing-production funding is out of balance or to identify specific ways to bring it into balance.

3. Rationale. That this imbalance exists has been a persistent criticism of the SSCI and some users (including some in the NSC Staff). This question is likely to be raised by the new Administration and the DCI should be prepared to deal with it.

4. Relation to Upcoming Semiannual NSC Review of Intelligence The DCI should take the occasion of a meeting of the current NSC to secure their backing for this study.

5. Next Steps:

-- IC Staff (OPEI and OPBD) prepare study directive and study plan by December 3. Major topics should include:

- A discussion of how collection funds are currently allocated, the outputs stemming from collection programs, and the kinds of information which would be lost as a result of various decrements in collection funds.

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- Review of the charge that collection systems obtain more information than producers can use.
- A review of processing resources, possible processing bottlenecks, and how additional processing funds would most usefully be allocated.
- An analysis of how additional increments of production funds would most usefully be allocated and the rate at which production funding could be increased without waste.

-- With approval by the DCI, the IC Staff take the lead to form a Community working group to conduct the study.

D. Size of the Intelligence Budget and Manpower Authorization

Action No. 7. Conduct a review of the gross size of the National Foreign Intelligence Program.

1. Proposed Transition Action. The DCI should conduct a review of past, current, and programmed levels of NFIP budgets and manpower, in light of past, current, and projected future demands on intelligence. The review should be completed by February 1, 1977 (in time for testimony to Congress), with a preliminary report completed by November 30 (in time to affect the DCI's Annual Report), which goes to the DCI for review on December 6 and to the printer on December 20.

2. Objectives. To provide the DCI with a basis for defending the size of the current program to the new Administration and Congress, and for deciding whether to call for higher NFIP resources.

3. Rationale. The NFIP is programmed to grow from about [redacted] to [redacted] during FY77-82 (an increase of [redacted] in current dollars and [redacted] in FY77 dollars, mostly in collection). This growth must be defended before critics, and its adequacy must be assessed in terms of improved service to users and greater Community collection and production flexibility.

4. Relation to Upcoming Semiannual NSC Review of Intelligence. The DCI should be prepared to discuss and defend the size of the program approved by the CFI, should the issue arise at a meeting of the current NSC.

5. Next Steps:

-- IC Staff (OPBD, OPP, and OPEI) proceed immediately to develop a short paper by November 30, which:

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NFIP levels in real dollars, constant dollars, and manpower.

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- Arrives at some rough judgments about adequacy of the NFIP.
- Recommends a "position" on the size of the NFIP to be assumed by the DCI in his Annual Report.
- IC Staff and Community elements develop a more detailed paper to validate the findings of the initial paper and to provide backup detail.

E. Secrecy and Security

Action No.8. Comprehensive Executive Branch approach to security and classification issues.

1. Proposed Transition Action. The new President should direct the development of a revised approach to security and classification issues, including (but not limited to) intelligence issues. One line of approach to be seriously examined is that advanced by William E. Colby in a recent article* in which he calls for:

-- A classification policy which defines what needs to be revealed, rather than what needs to be hidden.

-- Recognition of the needs of the people and Congress to know politically significant information for public decisions and judgments about US policies, while protecting technical and operational details, sources, etc.

-- Stronger legislation to protect truly classified information, with Congress (hopefully) supporting such legislation if the new Administration adopts a more open policy about secrecy in general.

2. Objectives. To secure a Presidential policy which serves the needs of the people and the Congress for information on USG activities, while protecting truly sensitive information and sources, and strengthening penalties for unauthorized disclosure of legitimately classified information.

*William E. Colby, "Intelligence Secrecy and Security in a Free Society," International Security (Fall 1976), pp. 3-14. The principles advanced in this article could be applied to other areas of classified information besides intelligence.

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3. Rationale. Existing arrangements for classifying information are increasingly unsatisfactory, as are arrangements for protecting truly sensitive information. The new Administration has pledged to be an "open" Administration. The problems of security of intelligence information should be addressed in the broader context of Presidential policy on classification. The DCI should be prepared to make recommendations to the new Administration.

4. Relation to Upcoming Semiannual NSC Review of Intelligence. The DCI could seek the backing of the current NSC for certain principles of intelligence security.

5. Next Steps:

-- The DCI should establish a high-level panel (chaired by Colby or using Colby as a consultant) to prepare recommendations for an intelligence security policy for presentation to the new Administration. These recommendations should address:

- A broad statement of policy.
- Specific principles and procedures to be followed by the Intelligence Community in sanitizing or declassifying information while protecting sources, operational details, and national security.
- Stronger legislation to protect legitimately classified material.

-- The IC Staff provide support to this panel, as appropriate.

-- The DCI urge the President-Elect to make a review of overall USG classification and security policy.